



LODI CITY COUNCIL

Carnegie Forum
305 West Pine Street, Lodi

"SHIRTSLEEVE" SESSION

Date: May 15, 2018

Time: 7:00 a.m.

*and via conference call:

1311 Midvale Road
Lodi, CA 95240
&
Fairmont Rehab Hospital
960 S. Fairmont Avenue
Lodi, CA 95240

For information regarding this Agenda please contact:

Jennifer M. Ferraiolo
City Clerk
Telephone: (209) 333-6702

Informal Informational Meeting

A. Roll Call by City Clerk

B. Topic(s)

B-1 Receive Presentation Regarding Fiscal Year 2018/19 Budget (CM)

B-2 Third Quarter Fiscal Year 2017/18 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

C. Comments by Public on Non-Agenda Items

D. Adjournment

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

Jennifer M. Ferraiolo
City Clerk

All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the Office of the City Clerk, located at 221 W. Pine Street, Lodi, and are available for public inspection. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. To make a request for disability-related modification or accommodation contact the City Clerk's Office as soon as possible and at least 72 hours prior to the meeting date. Language interpreter requests must be received at least 72 hours in advance of the meeting to help ensure availability. Contact Jennifer M. Ferraiolo at (209) 333-6702. Solicitudes de interpretación de idiomas deben ser recibidas por lo menos con 72 horas de anticipación a la reunión para ayudar a asegurar la disponibilidad. Llame a Jennifer M. Ferraiolo (209) 333-6702.



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CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Receive Presentation Regarding Fiscal Year 2018/19 Budget

MEETING DATE: May 15, 2018

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive presentation regarding Fiscal Year 2018/19 budget.

BACKGROUND INFORMATION: The Fiscal Year (FY) 2018/19 budget is built on a number of basic economic assumptions. This is the second in a series of presentations seeking Council input on those assumptions.

The draft budget is currently being reviewed and finalized by staff. Once the final draft is available it will be presented to Council in its entirety and posted to the City's website. Council will be presented with an opportunity to adopt the budget at the June 6, 2018, regular meeting.

Today's discussion will focus on the City's three utility funds for electricity, water and wastewater.

FISCAL IMPACT: Revenues, expenses and increases/decreases to reserves are as noted below:

Fund	Revenues FY 18/19	Expenses FY 18/19	Increase/(Decrease) to Reserves
Electric	\$73,615,090	\$75,129,490	(\$1,514,400)
Water	\$14,448,540	\$13,500,290	\$948,330
Wastewater	\$19,820,600	\$19,541,930	\$278,670

Andrew Keys
Deputy City Manager

APPROVED: _____
Stephen Schwabauer, City Manager

Fiscal Year 2018/19 Budget Utility Fund Presentation

Presented by: Andrew Keys, Deputy City Manager



Overview

- Utility Funds
 - Electric
 - Water
 - Wastewater



Electric Utility Overview

Estimated Changes in Fund Balance For the Fiscal Year Ended June 30, 2019 With Estimated Actuals for FY 2015-16 and FY 2016-17 and Comparative Budget FY 2017-18					
Electric Utility Enterprise Fund	2015-16	2016-17	2017-18	Estimated	
	Actuals	Actuals	Budget	2017-18 Actuals	2018-19 Budget
<u>Cash Balance</u>					
Beginning Cash Balance	16,582,191	24,278,513	22,327,219	30,501,095	29,951,255
Revenues	76,230,734	70,840,461	73,996,630	73,692,530	73,615,090
Expenditures	<u>68,534,412</u>	<u>64,617,879</u>	<u>75,393,812</u>	<u>74,242,370</u>	<u>75,129,490</u>
Net Difference (Revenues Less Expenditures)	7,696,322	6,222,582	(1,397,182)	(549,840)	(1,514,400)
<u>Cash Balance</u>					
Ending Cash Balance	<u>24,278,513</u>	<u>30,501,095</u>	<u>20,930,037</u>	<u>29,951,255</u>	<u>28,436,855</u>
Fund Balance as a percentage of expenses:	35%	47%	28%	40%	38%



Electric Utility

- Revenues \$381,540 lower than FY 2017/18 budget
 - Customer charges - \$173,020 higher
 - Solar surcharge* - \$293,710 lower
 - Environmental compliance - \$106,490 higher
 - Work for others - \$490,000 lower

* Program ended 12/31/17



Electric Utility

- Expenses are \$264,300 lower than FY 2017/18 budget
 - Salary & benefits - \$315,460 higher
 - Supplies, materials & services - \$1,002,780 lower
 - Capital projects & equipment - \$399,080 higher



Electric Utility Capital Projects

- Vehicles - \$264,000
- Underground system improvements - \$1,100,000
- Facility improvements - \$1,035,000
- Distribution capacity program - \$960,000
- Industrial SF6 circuit breaker replace - \$525,000
- New development infrastructure - \$100,000
- Overhead system improvements - \$100,000
- LED streetlight retrofit - \$90,000
- Streetlight maintenance - \$90,000
- 230kV interconnection project - \$60,000



Electric Utility Reserves

Purpose	Basis	2018/19 Target
Operating Reserve	90 days cash	17,701,000
Capital Reserve	Larges distribution system contingency	1,000,000
NCPA General Operating Reserve	NCPA identified items	5,013,000
Total Target		23,714,000
Estimated FY 2018/19 Reserve		28,436,855

Projected Reserves at 120% of target.



Water Utility Overview

Estimated Changes in Fund Balance For the Fiscal Year Ended June 30, 2019 With Estimated Actuals for FY 2015-16 and FY 2016-17 and Comparative Budget FY 2017-18					
	Estimated				
	2015-16	2016-17	2017-18	2017-18	2018-19
Water Utility Enterprise Fund	Actuals	Actuals	Budget	Actuals	Budget
<u>Cash Balance</u>					
Beginning Cash Balance	6,755,522	5,567,984	3,732,376	4,902,165	4,611,635
Revenues	13,760,559	13,818,330	14,722,520	14,458,430	14,448,540
Expenditures	<u>14,948,097</u>	<u>14,484,149</u>	<u>21,799,725</u>	<u>14,748,960</u>	<u>13,500,210</u>
Net Difference (Revenues Less Expenditures)	(1,187,538)	(665,819)	(7,077,205)	(290,530)	948,330
<u>Cash Balance</u>					
Ending Cash Balance	<u>5,567,984</u>	<u>4,902,165</u>	<u>(3,344,829)</u>	<u>4,611,635</u>	<u>5,559,965</u>
Fund Balance as a percentage of expenses:	37%	34%	-15%	31%	41%

Water Utility

- Revenues are \$273,980 lower than FY 2017/18
 - Charges for services - \$294,110 lower
 - Development impact fees - \$44,380 lower
 - Investment earnings - \$34,510 higher
 - Settlements - \$30,000 higher



Water Utility

- Expenses are \$8.3m lower
 - Salary & benefits - \$373,500 higher
 - Supplies, materials & services - \$59,650 lower
 - Capital projects & equipment - \$8.6m lower



Water Utility Capital Projects

- Vehicles - \$120,000
- Water meter phase 8 - \$1.5m
- Wells/water taps - \$440,000
- Facility improvements - \$235,000
- PCE/TCE activities: \$275,000



Water Utility Reserves

- Target is 25% of operating expenses
- Target for FY 2018/19 equals \$2,732,550
- FY 2018/19 estimated reserve is \$5,559,965



Wastewater Utility Overview

Estimated Changes in Fund Balance For the Fiscal Year Ended June 30, 2019 With Estimated Actuals for FY 2015-16 and FY 2016-17 and Comparative Budget FY 2017-18					
	Estimated				
	2015-16	2016-17	2017-18	2017-18	2018-19
	Actuals	Actuals	Budget	Actuals	Budget
Wastewater Utility Enterprise Fund					
<u>Cash Balance</u>					
Beginning Cash Balance	13,853,935	17,462,307	8,587,775	19,473,784	20,601,484
Revenues	16,939,087	16,940,258	18,950,180	16,970,750	19,820,600
Expenditures	<u>13,330,715</u>	<u>14,928,781</u>	<u>19,195,084</u>	<u>15,843,050</u>	<u>19,541,930</u>
Net Difference (Revenues Less Expenditures)	3,608,372	2,011,477	(244,904)	1,127,700	278,670
<u>Cash Balance</u>					
Ending Cash Balance	<u>17,462,307</u>	<u>19,473,784</u>	<u>8,342,871</u>	<u>20,601,484</u>	<u>20,880,154</u>
Fund Balance as a percentage of expenses:	131%	130%	43%	130%	107%



Wastewater Utility

- Revenues \$870,420 higher than FY 2017/18
 - Charges for services - \$99,280 higher
 - Development impact fees - \$196,670 lower
 - State grant reprogrammed at \$900,000 higher



Wastewater Utility

- Expenses \$346,800 higher than FY 2017/18
 - Salary & benefits - \$343,000 higher
 - Supplies, materials & services - \$59,650 lower
 - Capital projects & equipment - \$151,950 lower



Wastewater Utility Capital Projects

- Vehicles - \$135,000
- Storage pond expansion - \$4m
- Electrical upgrades/SCADA - \$1.2m
- Upgrade blowers - \$750,000
- Relocations, pump/equipment/facility upgrades - \$555,000
- Main #7 replacement - \$200,000
- Field #5 road repair - \$150,000
- Northeast sewer lift station pipe replacement - \$60,000
- Collection system enhancement - \$20,000



Wastewater Utility Reserves

- Target is 25% of operating expenses
- Target for FY 2018/19 equals \$3,117,980
- FY 2018/19 estimated reserve is \$20,880,154





CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Third Quarter Fiscal Year 2017/18 Water, Wastewater and Electric Utility Department Financial Reports

MEETING DATE: May 15, 2018

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the third quarter of Fiscal Year 2017/18.

BACKGROUND INFORMATION: In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Water, Wastewater, and Electric Utilities. Highlights of the operations and financial performance of each utility will be presented at the meeting of May 15, 2018.

FISCAL IMPACT: None directly related to the preparation of the report. However, the presentation is intended to keep the Council apprised of the financial conditions of the major municipal utilities.

FUNDING AVAILABLE: Not applicable.

Andrew Keys
Deputy City Manager/Internal Services Director

AK/LT

APPROVED: _____
Stephen Schwabauer, City Manager



Public Works Department Water/Wastewater

FY 18 Quarterly Update (Ending March 31, 2018)

City Council Shirtsleeve Session
May 15, 2018



Wastewater Fund Cash Flow Summary

(Ending March 31, 2018)

	Budget	Actuals	% of Budget
Revenue			
Sales	15,108,850	11,017,419	73%
Development Impact Mitigation Fees (wastewater & storm)	1,266,190	416,404	33%
Other (interest, septic, misc.)	2,575,140	505,442	20%
Total Revenues	18,950,180	11,939,265	63%
Expenses			
Operating	8,098,738	5,052,327	62%
Capital	6,523,657	767,570	12%
Debt Service	3,465,000	2,116,567	61%
Cost of Services Payment To General Fund	1,107,690	826,868	75%
Total Expenses	19,195,085	8,763,332	46%
Beginning Cash (Operations Only)		15,100,601	
Ending Cash (Operations Only)		16,886,901	
Days Cash (Excluding Capital)		579	
% of Target – 90 Days Cash on Hand		643%	



Wastewater Operating Results

(Ending March 31, 2018)

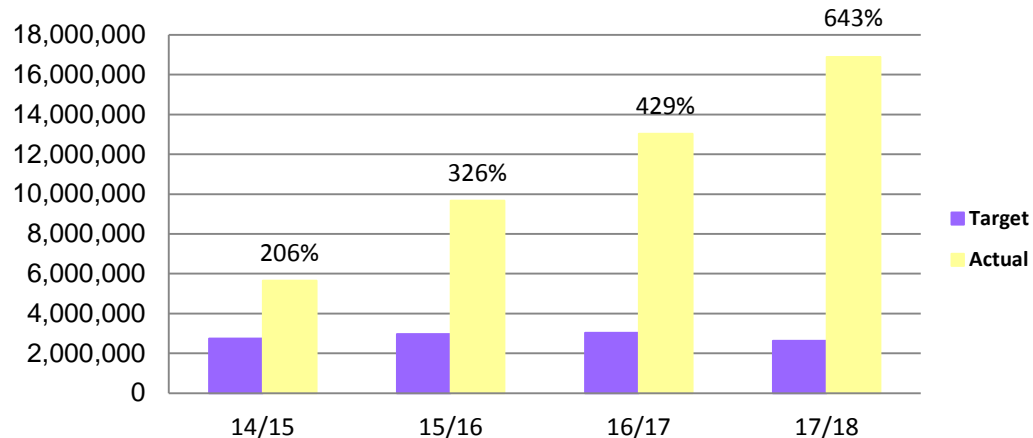
	Budget	Actuals	% of Budget
Personnel	\$ 3,577,482	\$ 2,834,054	79%
Supplies, Materials, Services	\$ 2,726,298	\$ 1,202,584	44%
Equipment, Land, Structures	\$ 674,398	\$ 144,339	21%
Other Payments	\$ 406,160	\$ 302,316	74%
Utilities	\$ 686,090	\$ 549,035	80%
Work for Others	\$ 28,310	\$ 20,000	71%
Total Operating Expenses	\$ 8,098,738	\$ 5,052,327	62%



Wastewater Funds Cash Balances (Ending March 31, 2018)

Operating (530)	16,886,901
Utility Capital / Infrastructure Replacement (531)	105,342
Capital Reserve (532) (Fund used to pay White Slough COP Debt Service)	(1,650,000)
Wastewater IMF (533)	1,187,474
Rate Stabilization Reserve (534)	500,000
Storm Drain IMF (535)	931,925
Total	17,961,642

Actual Reserves vs. Target



*Amounts above
reserve target are
held for scheduled
capital maintenance*



Wastewater Planned Capital Projects

	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Villa Fiore Reimbursement		930,000		
Lockeford Street Imprv.		100,000		
MSC Security Improvements		35,000		
Misc. System Relocations		35,000	35,000	35,000
Misc. Wastewater Taps		40,000	40,000	40,000
Collection System Capacity Enhancement Projects		20,000	200,000	
Main Replacement Project #7	200,000	2,000,000		
Northeast Sewer Lift Pipe Repl.		60,000		
Vinewood Storm Water Pump Rehab		100,000		
Vehicles /Equipment	450,000	135,000	150,000	150,000
Upgrade Blowers		750,000		
Irrigation Improvements	1,200,000		700,000	
Digester #4 Cleaning			220,000	
Field #5 Catwalk Repair	40,000			
Lagoon Cleaning			300,000	
Pump & Equipment Upgrades	175,000	345,000		
Corrosion Repairs	250,000			
Electrical/Screen/SCADA Design	660,000			
Electrical Upgrades/SCADA Construction		1,200,000	7,024,000	3,653,000
White Slough Recycled Water Storage	300,000	4,000,000		
Field #5 Road Repair		150,000		
Miscellaneous Future Projects			100,000	100,000
Totals	\$3,275,000	\$9,900,000	\$8,769,000	\$3,978,000



Water Fund Cash Flow Summary

(Ending March 31, 2018)

	Budget	Actuals	% of Budget
Revenue			
Sales	13,136,300	9,743,515	74%
Development Impact Mitigation Fees	520,690	251,256	48%
Other (interest, tap fees, water meters, misc.)	1,065,530	321,820	30%
Total Revenues	14,722,520	10,316,591	70%
Expenses			
Operating	6,826,960	4,384,638	64%
Capital	11,185,415	3,582,947	32%
Debt Service	2,967,660	846,250	29%
Cost of Services Payment To General Fund	819,690	610,868	75%
Total Expenses	21,799,725	9,424,703	43%
Beginning Cash (Operations Only)		3,082,176	
Ending Cash (Operations Only)		4,004,565	
Days Cash (Excluding Capital)		188	
% of Target – 90 Days Cash on Hand		209%	



Water Operating Results

(Ending March 31, 2018)

	Budget	Actuals	% of Budget
Personnel	\$ 2,865,815	\$ 2,199,378	77%
Supplies, Materials, Services	\$ 1,644,295	\$ 614,603	37%
Equipment, Land, Structures	\$ 110,000	\$ 20	0%
Other Payments	\$ 1,543,100	\$ 1,177,509	76%
Utilities	\$ 563,750	\$ 393,128	70%
Work for Others	\$ 100,000	\$ -	0%
Total Operating Expenses	\$ 6,826,960	\$ 4,384,638	64%

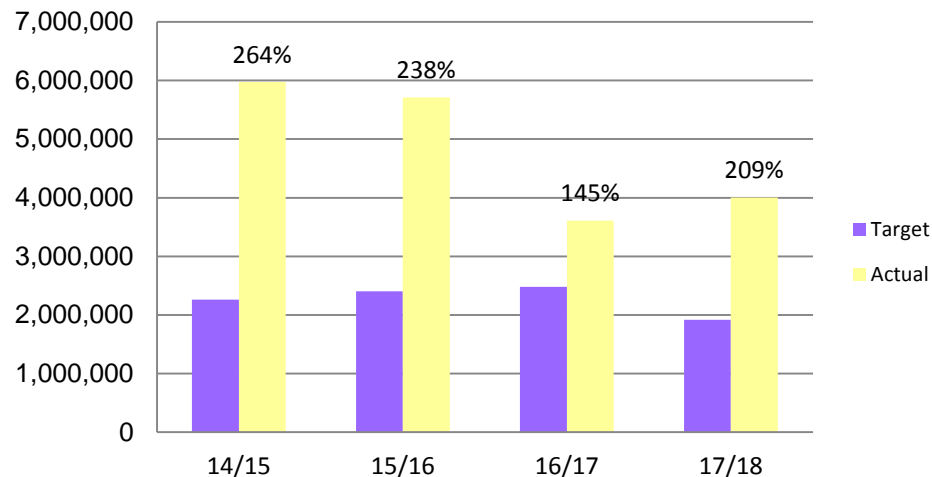


Water Funds Cash Balances

(Ending March 31, 2018)

Operating (560)	4,004,565
Utility Capital / Infrastructure Replacement (561)	63,073
IMF (562)	958,080
PCE/TCE Settlements	9,512,243
PCE/TCE Rates (565)	4,044,774
Total	18,542,735

Actual Reserves vs. Target



*Amounts above
reserve target are
held for scheduled
capital maintenance*



Water Planned Capital Projects

	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Water Meter Program	3,600,000	3,630,000	2,350,000	
Lockeford Street Imprv.		400,000		
Water Taps		75,000	75,000	75,000
Misc. Water Mains		50,000	50,000	50,000
GAC Replacement		300,000	300,000	
Meter Shop Design	50,000	200,000		
Southwest Gateway Water Tank			900,000	900,000
Water Plant Generator			300,000	
MSC Security Improvements	25,000	35,000		
Well 7 Pump Rehab		175,000		
Well 14 Pump Rehab			166,000	
Well 15 Pump Rehab			175,000	
Well 16 Pump Rehab				206,000
Well 17 Pump Rehab				191,000
Well 24 Rehab	165,000			
Well 27 Treatment System		70,000	800,000	
Vehicles/Equipment	20,000	120,000	40,000	41,000
Totals	3,860,000	5,125,000	5,156,000	1,463,000



Water / Wastewater Utility Activities

Operational

- Water Distribution
- Water Production
- Collection System
- Wastewater Treatment

Regulatory

- SSO's
- Discharge Violations
- Monitoring and Reporting



Electric Utility Department

FY 18 Quarterly Update (Ending March 31, 2018)

City Council Shirtsleeve Session
May 15, 2018



Electric Utility Fund Cash Flow Summary (Ending March 31, 2018)

	Budget	Actuals	% of Budget
Revenue			
Sales Revenues	69,828,170	53,679,113	77%
Development Impact Fees	143,470	88,161	61%
Other Revenues (interest, misc)	4,024,990	3,316,409	82%
Total Revenues	73,996,630	57,083,683	77%
Expenses			
Purchase Power*	41,822,160	30,111,766	72%
Non Power	14,557,637	8,263,822	57%
Capital Projects	3,923,135	1,533,402	39%
Debt Service	5,538,340	1,589,484	29%
Cost of Service/Capital Xfer	2,393,690	1,791,367	75%
In-lieu Transfer to General Fund	7,158,850	5,369,137	75%
Total Expenses	75,393,812	48,658,978	65%

Beginning Cash Balance (6/30/17)		22,713,089
Ending Cash Balance (3/31/18)		31,425,912
Reserve Policy Target		23,301,000
% of Target		135%

*Includes delayed postings to the General Ledger



Electric Utility Funds Cash Balances (Ending March 31, 2018)

Operating Funds*	\$ 20,104,655
Utility Outlay Reserve Fund	\$ 687,500
Public Benefits Fund	\$ 2,121,320
Impact Fee Fund	\$ 592,013
Solar Surcharge Fund	\$ 428,665
Greenhouse Gas Fund	\$ 7,491,759
Total	\$ 31,425,912

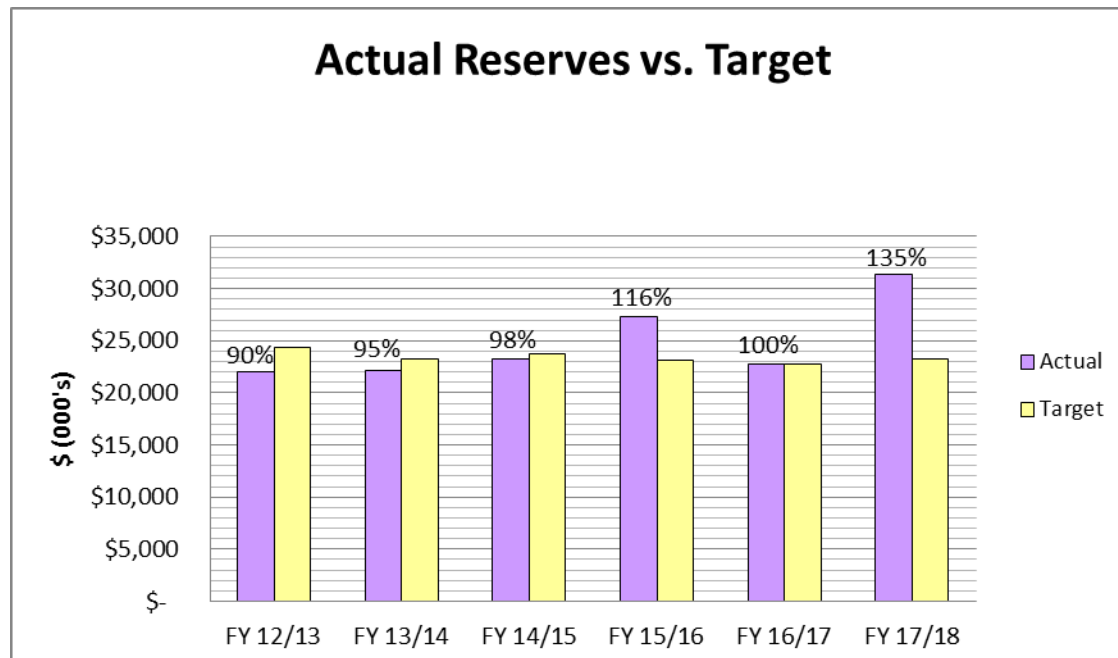
*Includes funds held locally and at NCPA



Electric Utility Reserve Policy (March 31, 2018)

Purpose	Target	Actual*
Operating Reserves	\$ 22,301,000	\$ 30,738,412
Capital Reserve	\$ 1,000,000	\$ 687,500
Total Target	\$ 23,301,000	\$ 31,425,912

*Includes cash held locally and at NCPA



Cash balances support City Council approved reserve requirements and provide funds for pay as you go Capital Improvement Projects.



Capital Improvement Project 5-Year Spending Plan

Project	FY 17-18**	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Distribution Capacity Program	\$131,000	\$960,000	\$250,000	\$250,000	\$250,000
Underground Maintenance*	\$1,500,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Streetlight Maintenance / Repair	\$35,000	\$90,000	\$50,000	\$50,000	\$50,000
LED Streetlight Improvements	\$90,000	\$90,000	\$200,000	\$200,000	\$200,000
230 kV Interconnection Project	\$25,000	\$60,000	\$60,000	\$60,000	\$0
Overhead Maintenance	\$300,000	\$100,000	\$200,000	\$200,000	\$200,000
Substation Maint / Improvements	\$100,000	\$525,000	\$350,000	\$650,000	\$1,500,000
Building & Security Improvements	\$430,000	\$1,035,000	\$50,000	\$50,000	\$50,000
Vehicles & Equipment**	\$15,500	\$264,000	\$350,000	\$250,000	\$370,000
Total Projects	\$2,626,500	\$4,324,000	\$2,710,000	\$2,910,000	\$3,820,000

*Includes work for others.

**Includes estimated actuals.



Power Sales

(Ending March 31, 2018)

Power Sales (kWh)		
Customer Class	Budget	Actual
Residential	151,255,540	124,075,415
Small Commercial	160,043,844	117,763,381
Large Commercial/Small Industrial	49,188,321	34,252,680
Industrial	71,906,433	52,367,315
Total	432,394,138	328,458,791

Revenue (\$)			
Customer Class	Budget	Actual	Average Rate
Residential	\$ 27,937,783	\$ 22,219,831	\$ 0.1791
Small Commercial	\$ 27,302,858	\$ 20,050,551	\$ 0.1703
Large Commercial/Small Industrial	\$ 6,939,313	\$ 5,259,941	\$ 0.1536
Industrial	\$ 7,648,216	\$ 6,148,790	\$ 0.1174
Total	\$ 69,828,170	\$ 53,679,113	\$ 0.1634



ECA Revenue

(Ending March 31, 2018)

Customer Class	Total (\$)
Residential	\$ 891,235
Small Commercial	\$ 1,082,682
Large Commercial / Small Industrial	\$ 333,621
Industrial	\$ 494,720
Total Revenue	\$ 2,802,258



Electric Utility Fund Operating Results (Ending March 31, 2018)

	FY18 Budget	FY18 Actual	% of Budget
Personnel	\$ 8,906,935	\$ 6,240,970	70%
Supplies, Materials, Services	\$ 3,836,042	\$ 1,078,840	28%
Other Payments	\$ 1,730,760	\$ 903,602	52%
Utilities	\$ 83,900	\$ 40,410	48%
Total Operating Expenses	\$ 14,557,637	\$ 8,263,822	57%



Power Supply Costs

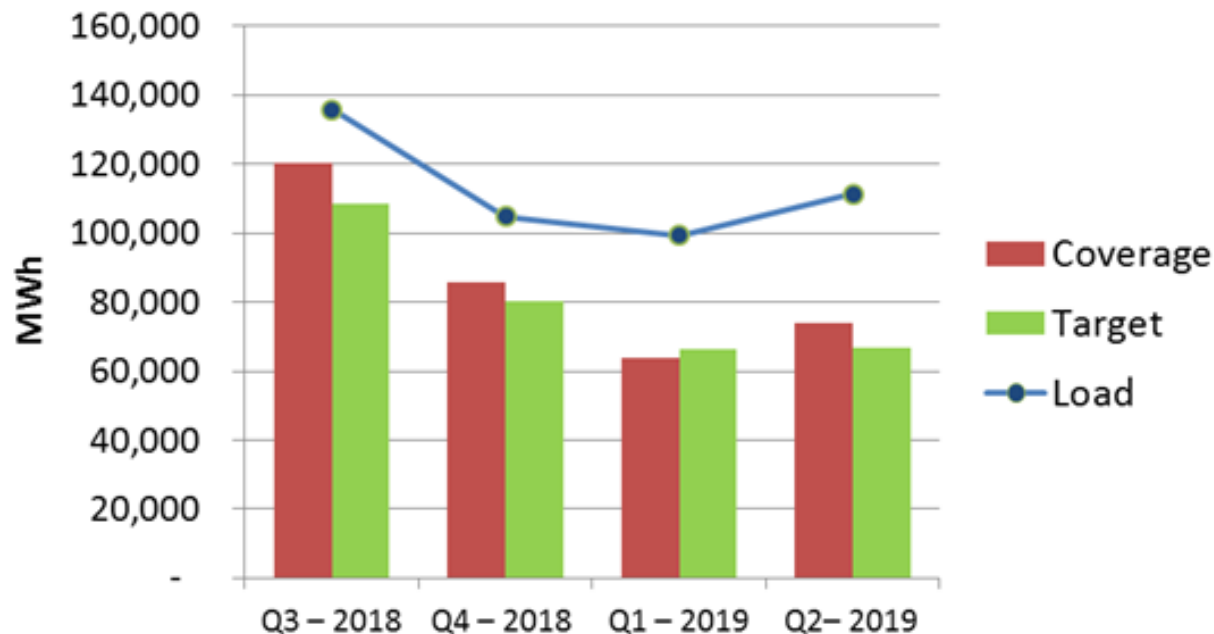
(Ending March 31, 2018)

	Budgeted	Year to Date	% of Budget
Generation	\$ 29,919,900	\$ 21,969,597	73%
Transmission	\$ 10,503,530	\$ 7,041,451	67%
Management Services	\$ 1,398,730	\$ 1,100,718	79%
Total Power Supply Costs	\$ 41,822,160	\$ 30,111,766	72%



Load Coverage

	MWh Load	ROC Matrix Target	Load Coverage (Including Purchases)
Q3 – 2018	135,758	80.0%	88.8%
Q4 – 2018	104,752	77.0%	81.9%
Q1 – 2019	99,306	67.0%	64.2%
Q2 – 2019	111,308	60.0%	66.4%



Includes power purchases through 3/31/18 as approved by Risk Oversight Committee (ROC)
 Q1 - 2019 power purchase scheduled for ROC review June 2018



Risk Oversight Committee Report

- Power Purchases Completed
- Additional RPS Resources Approved
 - Ukiah Geothermal
 - NCPA Solar Project No. 1
- Cap and Trade Activities
- Hydrology Conditions Update
- 230 kV Project Update



City Council Strategic Areas of Focus

- Customer
- Technology
- Financial
- Reliability
- Workforce